

MEETING OF THE GOVERNING BOARD
OF THE CHICAGO DEVELOPMENT FUND
NEW MARKETS TAX CREDITS PROGRAM

City Hall, Room 1000
121 North LaSalle Street
Chicago, Illinois

Thursday, February 2, 2012
9:07 a.m.

Andrew Mooney, Chairman
Stephanie Neely
Alexandra Holt
Rafael Leon
Thomas Tunney
Lois Scott
Tracy Sanchez
Mitchell Holzrichter
Reyahd Kazmi
Scott Phelan
Tony Smith
Benjamin King
James Simmons

Reported by: Nick D. Bowen

1 CHAIRMAN MOONEY: Before we get to the
2 approval of the minutes, so that everyone knows who
3 all is here. I'm Andy Mooney with the Department
4 of Housing and Economic Development and president
5 of this group.

6 MS. NEELY: I'm Treasurer Stephanie Neely.

7 ALDERMAN TUNNEY: Tom Tunney, Alderman of 44
8 and chairman of the Economic Development Committee.

9 MR. SMITH: Tony Smith with S.B. Friedman &
10 Company, consultant to the Department and CDF.

11 MS. SANCHEZ: Tracy Sanchez with Housing and
12 Economic Development.

13 MS. SCOTT: Lois Scott with the City, CFO.

14 MS. HOLT: Alex Holt, Budget.

15 MR. HOLZRICHTER: Mitch Holzrichter, Mayer
16 Brown.

17 MR. LEON: Rafael Leon, chairman of the
18 advisory board of the Chicago Development Fund.

19 MS. SIMMONS: I'm James Simmons from S.B.
20 Friedman.

21 MR. KING: Ben King with S.B. Friedman.

22 MR. KAZMI: Reyahd Kazmi, chief of staff,
23 treasurer's office.

24 CHAIRMAN MOONEY: Great. Thanks, everyone,

1 for coming. I appreciate it.

2 First order of business is the
3 approval of the minutes of the last meeting. I
4 believe you all have one.

5 Any comments?

6 I think it's been duly moved.

7 MS. NEELY: Yes, it has been.

8 CHAIRMAN MOONEY: If there's no objection, we
9 will accept the minutes. Okay.

10 Tony, do you want to lead us through
11 the status of previously approved projects?

12 MR. SMITH: Sure. Thank you.

13 First of all, before I move off of
14 this title page here, I want to point out a new
15 photograph of Testa Produce, gorgeous project that
16 CDF worked on at the end of 2010. This is on the
17 upcoming tour, but I'm a fan of that photo.

18 CHAIRMAN MOONEY: I might mention that this
19 was done -- this is Peter Testa's new distribution
20 facility. It is an incredible facility. And it is
21 the first industrial facility in the city to get
22 platinum rating under LEED. We're hopefully taking
23 the Mayor out there shortly.

24 MS. NEELY: What's the address again?

1 MR. SMITH: 4555 South Racine.

2 And the first LEED platinum freezer/
3 cooler building in the country.

4 So previously approved transactions.
5 To date, 13 transactions have closed since July of
6 2008, which was the first deal CDF closed. So we
7 see them broken down by year on this chart.

8 So in 2011, two projects closed in
9 their entirety, Instituto Health Sciences Career
10 Academy and Truong Enterprises. And then there's a
11 pre-funding for Mercy Oakwood Shores, which, if
12 you recall from the last meeting, CDF approved
13 accepting the qualified equity investment for the
14 deal in order to show more progress to Treasury in
15 an effort to get an allocation or a more favorable
16 allocation in this upcoming round.

17 The full closing of that deal is
18 still ongoing. It's a very complicated transaction
19 involving housing sources, HOPE VI funds, and New
20 Markets Tax Credits in two separate funding stacks.
21 And so currently HUD is reviewing the documents for
22 that deal as part of the required process before we
23 can fund the loan. That one is moving along well.

24 Updated map of the projects that CDF

1 has financed, the newest addition being Truong
2 Enterprises, which is at 2300 South Halsted right
3 here on the map (indicating).

4 As far as those projects that I
5 mentioned previously, the bulk are substantially
6 complete and open. A couple are still --

7 CHAIRMAN MOONEY: Let's go back for a second,
8 Tony.

9 MR. SMITH: Sure.

10 CHAIRMAN MOONEY: Not everyone is familiar
11 with them. At least can you give one sentence
12 maybe --

13 MR. SMITH: Absolutely. Yes.

14 So Homan Powerhouse is a large scale
15 historic rehab of a former power plant at the Sears
16 campus in Lawndale. So that's a fully operational
17 charter school that's related to the Homan
18 Arthington Foundation.

19 Greater West Town is a job training
20 center at 500 North Sacramento on the West Side.
21 And that's -- it also operates a small charter
22 school that caters to students -- high school
23 students that have dropped out of the CPS system.

24 Imperial Zinc is a zinc anode and

1 alloy manufacturer at -- on 103rd Street near the
2 Bishop Ford.

3 Christ the King is a parochial
4 school in the Cristo Rey Network. That's at 5088
5 West Jackson. Very low tuition, very inclusive
6 school in the Austin neighborhood.

7 ALDERMAN TUNNEY: Isn't that where you --
8 four days of instruction and then one day in the
9 private sector?

10 MR. SMITH: Correct. Yes.

11 ALDERMAN TUNNEY: Okay.

12 MR. SMITH: Comer Charter, that's a CPS
13 charter high school at 72nd and South Chicago
14 that's sponsored by the Comer Foundation and
15 operated by the Noble Network.

16 MS. NEELY: And that's all part of the Comer
17 center over there, right?

18 MR. SMITH: Correct. Yep.

19 Charter Steel is a small steel
20 trading and processing company in Lawndale. So
21 this was an expansion for Charter Steel that's at
22 Kedzie -- I'm sorry, Kostner and Roosevelt.

23 ALDERMAN TUNNEY: How many -- approximately
24 how many jobs are there?

1 MR. SMITH: That one is -- I believe it's
2 about 85 jobs.

3 ALDERMAN TUNNEY: Is that upon complete --
4 you know, full force right now, 85?

5 MR. SMITH: I'd have to double check the
6 number, but I think that was the expansion
7 resulting from the new facility, which is open and
8 operating.

9 PCC Community Wellness is a
10 federally qualified health clinic on Lake Street in
11 the Austin community, a \$6-1/2 million project,
12 fully operational at this point.

13 Testa Produce we just talked about.

14 Instituto Health Sciences Career --

15 ALDERMAN TUNNEY: I'm sorry. Again, how many
16 jobs at Testa now?

17 MR. SMITH: Testa is about 165.

18 ALDERMAN TUNNEY: 165?

19 MR. SMITH: Instituto Health Sciences Career
20 Academy is a medical sciences focused charter high
21 school in Little Village at Blue Island and
22 Western.

23 Nearing completion. We have the
24 Radio Flyer project, which was a substantial

1 expansion and rehab of Radio Flyer's legacy
2 facility out on Grand Avenue at Narragansett. So
3 that was to add some R & D and prototype
4 manufacturing space in about 65,000 square feet
5 of vacant space they had in their large facility
6 there.

7 Under construction --

8 ALDERMAN TUNNEY: Just a little footnote.
9 How many jobs at this one?

10 MS. SANCHEZ: I think it has about 30.

11 ALDERMAN TUNNEY: 30?

12 MS. SANCHEZ: 30 additional jobs, right. I
13 think they were --

14 ALDERMAN TUNNEY: On top of --

15 MS. SANCHEZ: And I think they retained about
16 30. So it was about the same number.

17 MR. SMITH: I'm sorry. I'll bring a complete
18 list at the next meeting so I can rattle that off.
19 So that --

20 MS. SANCHEZ: I have it in -- I have it.

21 MR. SMITH: It's blurring together in my
22 mind.

23 MS. SANCHEZ: I usually do bring it with me.
24 I don't have it today.

1 MR. SMITH: Under construction, the Kroc
2 Community Center, so that's the Salvation Army
3 facility at 119th and Racine, 160,000 square foot
4 multiuse facility with recreation.

5 MS. NEELY: They're getting a lot of
6 publicity for that facility. It's all over the
7 news.

8 CHAIRMAN MOONEY: Three swimming pools, two
9 or three gymnasiums.

10 MS. NEELY: All over the media. And it's
11 really something --

12 MS. SANCHEZ: It's huge. I think it's like
13 165,000 square feet or something.

14 MS. NEELY: When is it scheduled to open?

15 MR. SMITH: I think it's April, May.

16 MS. NEELY: So soon.

17 MR. SMITH: Yeah. And that's actually on the
18 upcoming tour that we have a date to announce. So
19 hopefully you can all see it.

20 And the final project, the most
21 recent to close, Truong Enterprises is an ethnic
22 produce distributor located at 23rd and Halsted,
23 and that's an expansion. They currently already
24 operate on South Leavitt Street, and they're

1 retaining that space. So this is a completely new
2 addition for them. It has gone vertical. You can
3 see the exterior walls if you go down Halsted
4 Street right about now. And that's 30 full-time
5 jobs that would be added in that new facility.

6 CHAIRMAN MOONEY: Tracy, can you send out a
7 memo with all the job numbers?

8 MR. SMITH: Sure.

9 MS. SANCHEZ: Yeah. I usually have it with
10 me. I just didn't bring it with me today.

11 MR. SMITH: Sorry about that.

12 MS. SANCHEZ: We track it.

13 MR. SMITH: So we finally pinned down what we
14 believe to be a favorable date for a site tour, and
15 so we'd like to invite the governing board and the
16 advisory board to attend. That will be Tuesday,
17 February 21st. And the plan is to hit three of
18 those projects, PCC Community Wellness, Testa
19 Produce, and then the Kroc Community Center.

20 MS. NEELY: I have a pension board meeting,
21 so I can't make it.

22 MS. SCOTT: Yeah.

23 MS. NEELY: It's also Fat Tuesday.

24 ALDERMAN TUNNEY: What a day we're having

1 this morning.

2 MS. NEELY: I'm wondering if I can get to
3 one. I really wanted to go to the Kroc Center.
4 That's the last one. But that's okay.

5 MR. KING: That actually is going to be the
6 first one.

7 MS. NEELY: Oh, it is?

8 MR. KING: They've got something in the
9 afternoon.

10 MS. NEELY: So we're going to -- what time
11 should we be at that one?

12 MR. KING: I think we'll probably be starting
13 there about 10:00 o'clock, 10:30.

14 MR. SMITH: 10:30 probably.

15 MS. NEELY: So we'll be there at 10:30.
16 Okay. I could probably only go to that one. So
17 what's the exact address?

18 MR. SMITH: It is at 119th and Racine. But
19 we'll send a full invite with all the -- all the
20 addresses so people --

21 MS. NEELY: I'm going to probably just go to
22 that one.

23 MS. SCOTT: And the last one is what time?

24 MR. KING: That's still in flux.

1 MS. SCOTT: Still in flux. Okay.

2 MR. SMITH: We're hoping to do lunch at Testa
3 Produce. They have a nice test kitchen facility.

4 MS. NEELY: I'll probably just go to that
5 one.

6 MR. SMITH: Okay. Is there any chance we can
7 move the start to earlier?

8 MS. NEELY: 10:30 is fine for me actually.
9 Not to say it's going to be easy, but 10:30 works
10 for me.

11 MR. SMITH: Okay.

12 CHAIRMAN MOONEY: We could do the other two
13 first and meet us at Kroc at 10:30.

14 MS. SCOTT: Yeah, that would work.

15 MR. SMITH: Okay. We'll look into that.
16 Sure. Okay. Yes.

17 So that's it in terms of status of
18 approved projects to date.

19 CHAIRMAN MOONEY: Any questions?

20 (No response.)

21 All right. Go ahead.

22 MR. SMITH: So summarizing what CDF has
23 closed on to date by project type, so it's been a
24 mix of industrial, education facilities, and then

1 other types of community facilities, including
2 healthcare, job training, and the Salvation Army
3 multiuse center. So it breaks out pretty evenly
4 between those categories.

5 As far as what's in closing right
6 now, the Roseland Plaza project, which is a grocery
7 deal, still in that process, and then a healthcare
8 project, which was the Oakwood Shores mixed-use
9 project that I mentioned previously where there's a
10 Mercy-operated health clinic on the bottom two
11 floors that the CDF would finance and then mixed-
12 income housing that's being separately developed on
13 the upper floors.

14 MS. NEELY: Who's the -- remind me, who's the
15 grocery in Roseland?

16 MR. SMITH: It'll be an Aldi.

17 MS. NEELY: That's right. I can see their
18 picture.

19 MR. SMITH: And then one transaction's on the
20 docket for potential approval today, and that's
21 another healthcare transaction; that's Chicago
22 Family Health Center.

23 CHAIRMAN MOONEY: Okay.

24 MR. SMITH: So in terms of CDF's overall

1 prospects for getting more allocation, as you may
2 all recall, CDF applied for more credits in late
3 July. So that's the ninth round, or 2011 round,
4 the Treasury has sponsored. It's still in the
5 midst of the decision-making process, although the
6 rumors are that the decisions are made, it's really
7 just a matter of scheduling a press conference, but
8 apparently that's stuff to do with Treasurer
9 Geithner.

10 And the award announcements, the
11 rumors are late February, early March at this
12 point.

13 In terms of --

14 MS. NEELY: He announced it last time. Was
15 it two years ago that he announced it?

16 CHAIRMAN MOONEY: He did, over on the West
17 Side.

18 MR. SMITH: Right.

19 MS. NEELY: He announced it, yeah.

20 MR. SMITH: Yeah. That was October of '09 at
21 the West Town facility.

22 And then as far as future rounds
23 beyond the 2011 rounds, currently Congress has not
24 authorized anything. So the New Markets program,

1 like many other federal programs, is in limbo.
2 It's been most recently attached to the payroll tax
3 extension and the business tax extenders bill.
4 Your guess is as good as mine or probably better as
5 far as when that would -- when there'll be action
6 on that, particularly in a lame duck Congress.

7 The 2011 round, just a footnote, is
8 extremely competitive. There were substantially
9 more applications than in past rounds. Usually
10 it's about 250 per year. This time it was over
11 300. And the allocations available from the feds
12 were shrunk from 5 billion down to 3-1/2 billion
13 through the most recent Congressional
14 authorization. So either what that means is that
15 the award sizes are going to continue to be pretty
16 modest as CDF experienced in the 2010 round, or
17 it's going to be a shorter list of allocatees with
18 more healthy size allocations. There's definitely
19 been some push/pull within Treasury about which is
20 the more effective strategy.

21 So the current rumors are suggesting
22 a shorter list of allocatees with bigger
23 allocations, which could cut either way for CDF.

24 MS. HOLT: And what's the range of

1 allocation?

2 MR. SMITH: Well, CDF requested 111 million,
3 but its award sizes have been all over the map.
4 It's at 100 million in the '06 round. 18 million
5 in the 2010 round. Local allocatees didn't do so
6 well in the 2010 round. They got about what CDF
7 got on average. Let's say historically 50 million
8 has been a good size award. In the most recent
9 round, that was about 30 to 35 million given that
10 the Treasury kept the list the same in terms of
11 number of allocatees, but there was less to go
12 around.

13 MS. SCOTT: Did they drop any allocatees? I
14 mean, have they been moving them in and out?

15 MR. SMITH: Yes, there certainly is. Several
16 repeat round CDEs have -- didn't get any credits
17 last round. Couple examples, NCB Capital Impact,
18 which is a CDFI lender based in Virginia, had, I
19 think, four or five previous awards and then didn't
20 get anything in 2010. The Reinvestment Fund in
21 Philadelphia, kind of a similar story, a very high
22 performing CDFI, didn't get anything in 2010. So
23 definitely some allocatees missed some rounds
24 historically. But fingers crossed.

1 In terms of the overall breakdown
2 of what CDF has received to date and deployed,
3 173 million in authority to date, total amount
4 closed 140.5. The total currently in closing 14.5.
5 So that's the Oakwood Shores and the Roseland Plaza
6 projects. Total allocation that's on the table
7 today for consideration is 10 million. So assuming
8 everything that's been approved and is in closing
9 gets consummated and this deal today, Chicago
10 Family Health Center, is approved and closes, that
11 would leave 8 million from prior allocations.

12 As far as the pipeline of deals,
13 currently the dynamic in the industry is that not a
14 lot of CDEs have a lot of allocation, so there's a
15 lot of hypothetical requests being made by
16 projects, and CDEs are in the process of evaluating
17 what -- who they can serve and what the timing
18 would be and the feasibility of prospective
19 projects. So CDF has received a lot of requests
20 for allocation lately. Currently the pipeline
21 number is 17 projects totaling 234 million of
22 requested allocation. We're including in this the
23 Chicago Family deal, which is in the structuring
24 line here, \$10 million, as well as the two projects

1 Oakwood Shores and Roseland that are in the closing
2 category. The rest of the projects either are pre-
3 application phase where they're in discussions with
4 us about how New Markets work and whether it's a
5 fit for the project, or they've filed a formal
6 application to CDF, but CDF is not in a position to
7 yet act on it.

8 As far as how those projects break
9 down between project type, the trend continues that
10 community facilities tend to be a heavy user of
11 this program. That's consistent with sort of the
12 national progress of the New Markets program.
13 Nonprofits have been heavy users of it.

14 We do have two industrial deals in
15 the pipeline looking ahead. And then the grocery
16 deal is Roseland Plaza.

17 MS. SCOTT: We're about 90 percent community
18 facilities. That seems maybe like that we might be
19 an outlier with something that high.

20 MR. SMITH: I don't think nationally that
21 that's the average. I think you're right, that CDF
22 is probably heavier in community facilities.

23 MS. SCOTT: And are we getting -- in the next
24 round, are we going to get helped or approved?

1 MR. SMITH: I think the deals that have a
2 strong job impact would be very desirable both from
3 CDF's mission perspective as well as for sort of
4 brownie points with Treasury. So -- and we
5 certainly heard that message from this board, and
6 we continue to assume that's the message unless we
7 hear otherwise.

8 MS. SCOTT: Thank you.

9 ALDERMAN TUNNEY: Could you elaborate a
10 little bit on the two industrials? Who are they?

11 MR. SMITH: Sure. One is a project that's
12 also in discussions for TIF funding. It's called
13 Cedar Concepts. It's a chemical manufacturer down
14 in the Stockyards area. I think it's the only
15 minority female owned chemical plant in the
16 country.

17 ALDERMAN TUNNEY: That's right. I've already
18 heard about it.

19 CHAIRMAN MOONEY: The TIF came up before the
20 CDC.

21 MR. SMITH: And the other one is a company
22 called Heater Works that's also in discussions for
23 TIF funding. And so that's a recent prospect that
24 approached us. So we're working through how the

1 New Markets program works and how it would fit for
2 their project.

3 ALDERMAN TUNNEY: Actually, I heard about it
4 because it came up in a conversation about the
5 layout. There's a piece of property across the
6 road from this chemical -- that the City is looking
7 to negotiate a very low purchase price. And the
8 way they wanted to lay out, that somehow didn't
9 work, but -- I'm just kind of -- I don't know
10 where -- I've heard it in the last week actually
11 about this phenomenal, you know, story down there,
12 trying to make sure that she has the ability to
13 grow.

14 CHAIRMAN MOONEY: She's got a great story.
15 She's owned the company now ten years plus. And
16 it's been profitable, knock on wood, every year.
17 They're interested in a couple of parcels in the
18 Stockyards that, frankly, we haven't been able to
19 get rid of. I shouldn't say that for the record.
20 But at any rate, we would be delighted to have her
21 in the Stockyards.

22 ALDERMAN TUNNEY: And what I heard was
23 something about her layout over chemical tanks or
24 something, that the City wanted it -- didn't --

1 wanted a certain part of that parcel or whatever.
2 So it was something about the actual layout of her
3 expansion that was somewhat problematic, so ...

4 MS. SCOTT: What kind of chemicals is she
5 manufacturing?

6 CHAIRMAN MOONEY: It's cosmetic products.
7 It's nontoxic. A lot of it.

8 ALDERMAN TUNNEY: Let's hope.

9 CHAIRMAN MOONEY: I have not heard that
10 problem.

11 MR. SMITH: Oh, I should mention too that CDF
12 continues to communicate with the staff within HED
13 that are on the front lines with industrial
14 businesses letting them know, look, we've done now
15 five transactions in the industrial space. There's
16 a track record. We're available to work with those
17 companies. So we would certainly love to do more
18 jobs deals.

19 CHAIRMAN MOONEY: Any questions on potential
20 projects?

21 (No response.)

22 If not, let's move to the one
23 project that we need to take action on. Tony.

24 MR. SMITH: Okay. So this is Chicago Family

1 Health Center. It's a federally qualified health
2 center. So a community health clinic that's
3 supported by HRSA, which is a federal department
4 within Health and Human Services. So it's similar
5 in its operating focus to PCC Community Wellness.

6 I will say that along with jobs
7 deals, these healthcare deals are among the most
8 highly prized nationally in the New Markets program
9 as far as brownie points with Treasury and
10 community impact.

11 So this would be -- this is an
12 experienced operator. They have several sites
13 already in Chicago; five locations to be exact.

14 MS. NEELY: Are they all over the city, or
15 are they primarily south?

16 MR. SMITH: Primarily south. Their main
17 flagship facility is at 9119 South Exchange in the
18 South Chicago neighborhood. And they've been
19 operating for over 30 years successfully in Chicago
20 serving that community.

21 MS. NEELY: What ward is this new facility?

22 MR. SMITH: This is in the 9th Ward.

23 So this would be a ground-up new
24 facility, LEED silver is the target, located on

1 115th Street in the Pullman neighborhood.

2 MS. NEELY: 115th?

3 MR. SMITH: Yes.

4 So we include 21 medical exam rooms,
5 9 dental operatories with support facilities for
6 that, and then behavioral health, social services,
7 and case management space.

8 Dental is particularly noteworthy.
9 There's a serious shortage of dental care in the
10 Pullman community and in general in poor
11 communities across the country. It's -- the feds
12 have designated this a healthcare professional
13 shortage area for primary care, for mental health,
14 and for dental. So CFHC actually already operates
15 in that neighborhood, but just in a very small 3500
16 square foot facility that is outmoded and
17 overcrowded. So this would be a dramatic
18 expansion, almost ten times growth of the square
19 footage they have. So they can grow their visits
20 per year to up to 52,000 and would also offer a
21 more common area space for wellness events,
22 preventative care, community education, essentially
23 getting out ahead of health issues before they need
24 to be remedied.

1 Let's see. Some more about CFHC.
2 They serve an extraordinarily low-income
3 population, very consistent with the New Markets
4 program mission. 52 percent of their patients are
5 on Medicaid. 10 percent are on -- additional to
6 that are on Medicaid-managed plans. 35 percent of
7 all their patients are uninsured. 99 percent are
8 below the CDFI Fund low-income threshold, which is
9 80 percent of area median income. 85 percent are
10 below poverty. And about 5 percent meet the
11 federal definition of homeless.

12 So part of the nature of federally
13 qualified health centers is that they don't deny
14 care to anybody, they serve anybody that walks in
15 the doors. For patients that have an income below
16 200 percent of the federal poverty line, there's a
17 sliding scale of fees for services with a minimum
18 fee as low as \$20.

19 There's a trade association for
20 these federally qualified health centers that's
21 called the Illinois Primary Healthcare Association,
22 and they've taken steps in recent years, and
23 hopefully Alderman Tunney would appreciate this, to
24 quantify economic impact from these community

1 health clinics in terms of jobs and also economic
2 activity. So CFHC has done a study of its impact
3 translating to about 24 million of goods and
4 services procurement per year. And that's 2008.
5 They've expanded significantly since then. 6.2
6 million in uncompensated care was provided in 2011.
7 And they employ 210 employees with payroll of over
8 \$12.6 million currently.

9 As far as this project that's in
10 front of CDF, it would retain 23-1/2 full-time
11 equivalent positions and create 22 new full-time
12 positions with an average wage of almost \$23 an
13 hour.

14 MS. SCOTT: And their annual cash flows come
15 from HRSA?

16 MR. SMITH: It's a mix for these facilities.
17 They do get some insurance payments, primarily
18 Medicaid, and then they also get Section 330 grants
19 from HRSA. That's a longstanding program that
20 subsidizes this type of clinic. They get
21 \$5 million a year, I believe, under Section 330.

22 MR. KING: 5.3.

23 MR. SMITH: 5.3. So it's -- those two
24 sources make up the bulk of their revenue stream.

1 MS. SCOTT: They're taking a lot of debt.

2 MR. SMITH: For this project?

3 MS. SCOTT: Taking a lot. Yes.

4 MR. SMITH: Well, we can break that down. I
5 think --

6 MS. SCOTT: No. I get it.

7 MR. SMITH: As far as the sources of funds
8 for this project, the largest single source is
9 actually a capital grant from HRSA, the Health
10 Resources and Services Administration. HRSA grants
11 are funded on a reimbursement basis. And so HRSA's
12 actually adopted a policy on how you integrate
13 these grants with New Markets Tax Credit deals. An
14 NMT has to be funded all up front and flow through
15 a complex transaction structure. HRSA wants to
16 directly reimburse to the project, but they have
17 guidelines to sort of split the difference between
18 those requirements.

19 MS. SCOTT: And that's just the HRSA money?

20 MR. SMITH: It needs to be bridged. So MB
21 Financial is the lender that has provided a bridge
22 loan commitment to front fund the HRSA grant, and
23 then as construction proceeds, there'll be gradual
24 drawdowns on the HRSA money and gradual repayment

1 with MB's bridge loan. And that will all happen
2 outside the New Markets structure so that the
3 structure stays static at the \$10 million level.

4 MS. NEELY: What's the total cost of the
5 project?

6 MR. SMITH: It's still about 10.1 million.

7 MS. NEELY: And so you -- this chart says
8 that 60 percent is coming from the HRSA grant?

9 MR. SMITH: Right. In terms of underlying
10 funding. But at closing, it would be 60 percent
11 from MB's bridge loan. And then MB's also
12 providing about \$2 million in term debt. So that's
13 the portion that -- if you're sort of cutting
14 through the structure, that's the portion that
15 CFHC's cash flow has to support. They are going to
16 fundraise for this facility, so that'll be probably
17 plan A as far as how to repay that. But MB has
18 also underwritten their operating cash flow, which
19 has been pretty stable over the years.
20 Historically they've cleared about a million
21 dollars per year that's available for things like
22 that.

23 So really MB has underwritten both
24 avenues to repayment and is comfortable with a

1 seven-year term on that debt. And then the balance
2 would come from tax credit equity. JP Morgan Chase
3 would be the investor.

4 So this would be the first time that
5 MB Financial has participated directly in a New
6 Markets transaction funding through the structure,
7 which is a big deal for banks. This is a -- it's
8 very challenging to get bank debt to flow through
9 New Markets Tax Credit structure. So far CDF's had
10 success with Harris Bank and Northern Trust,
11 getting MB into the program as well. They were
12 involved in the Testa Produce deal but in a much
13 simpler, easier to swallow format where they just
14 loaned directly to the project on a senior basis
15 and then CDF came in subordinate. Here MB is truly
16 integrating with the financing structure and not
17 getting a mortgage on the project. So it's a big
18 leap that they're taking.

19 MS. SCOTT: I think we should just
20 acknowledge the work that they've done to do that.
21 They're also probably the leading lender now to the
22 nonprofit base generally. They're doing an
23 extraordinary job trying to support the community,
24 and they really deserve to be lauded for their

1 efforts to try and help.

2 MR. SMITH: Yeah. And CFHC did shop this
3 deal around to a couple lenders, and MB was
4 definitely by far the most responsive and the
5 most --

6 MS. SCOTT: Very impressive. They've been a
7 leading lender to charters and to private schools
8 and to churches.

9 MR. SMITH: So that's what I have on the
10 transaction.

11 CHAIRMAN MOONEY: Before we turn to
12 questions, Rafael Leon is chair of our advisory
13 group. And you had a chance to look at this the
14 other day.

15 MR. LEON: Yes, we did, and we approved it.
16 What we requested was to getting, for any
17 transactions, more information about the operation
18 of budgets for the corporations or the entities,
19 because, as this points out, something that there
20 are a lot of cuts in funding for this type of
21 organization. So we wanted to make sure that there
22 was enough funding to operate the facility. So
23 that was our request. But we approved the
24 transaction.

1 CHAIRMAN MOONEY: Thank you.

2 Any questions?

3 MS. SCOTT: Very impressive. Motion to
4 approve.

5 CHAIRMAN MOONEY: A motion. And a second.

6 ALDERMAN TUNNEY: Second.

7 CHAIRMAN MOONEY: Great.

8 Without further discussion, we'll
9 take a vote. All those in favor, say aye.

10 (Chorus of ayes.)

11 Any nays?

12 (No response.)

13 Okay. So moved.

14 Any other business before us?

15 ALDERMAN TUNNEY: I just want to say, Rafael
16 and to our CFO, the cash flow, you know, in paying
17 this and the ability of the patients to pay, I see
18 there's a minimum \$20 payment for the user on this.
19 Still, \$20 is a lot of money for some people,
20 especially when you're -- 85 percent of the
21 population is below -- whatever percent below.

22 MS. NEELY: And 5 percent homeless.

23 MR. LEON: Yeah. We were more concerned --
24 we were concerned about the long-term feasibility

1 of the operations of the organization. We wanted
2 to make sure, because in one of the charts, I think
3 that it shows 52 percent come from Medicaid or
4 Medicare, another percentage comes from private
5 insurance. What about the rest? And so we wanted
6 to make sure that there's long-term stability for
7 the organization.

8 MR. SMITH: Yeah. We can comment that
9 CFHC -- the program -- the Section 330 has been
10 funding projects like this since 1974. And CFHC
11 has had a very stable relationship with that
12 funding source.

13 There's a five-year reauthorization
14 cycle through HRSA. They're next up in 2015 for
15 that. But essentially if you don't get flying
16 colors approval from HRSA, you get a remediation
17 plan -- or you have to put a remediation plan in
18 place, but your funding doesn't stop. It's just
19 a -- it's a matter of taking corrective action.
20 CFHC has never had to take any corrective action.
21 They've had no problems getting reapproved.

22 And so part of what CDF would get as
23 monitoring on this would be their annual reports to
24 HRSA and HRSA's feedback. So if there's any sort

1 of early indications that they might not get full
2 reauthorization with no caveats, then we would find
3 out immediately.

4 CHAIRMAN MOONEY: Okay.

5 MS. HOLT: How many other facilities do they
6 have?

7 MR. SMITH: They have five currently.

8 MS. NEELY: In this area?

9 MR. SMITH: Yeah.

10 CHAIRMAN MOONEY: Okay. Motion to adjourn.

11 MR. LEON: We also made a request, when we
12 look at the money that has been disbursed, to get
13 an idea of how many private owners are being
14 leveraged including other City money. So we're
15 requesting that for the next meeting, if we can get
16 it saying so, out of the \$200 million that has been
17 disbursed through the program, what is the leverage
18 with the private financing?

19 CHAIRMAN MOONEY: Good question. So you'll
20 bring that for us?

21 MR. SMITH: Correct. Yes. Yeah, we know the
22 aggregate total, and CDF has provided approaching
23 40 million of subsidy to date, the tax credit
24 equity piece, and leveraged about 250 million of

1 other -- of total investment as a result of that.
2 But Rafael's question is a good one, what is the
3 breakdown of that leveraged investment, are there
4 other City programs that constitute part of it.
5 And the answer to that is yes. But we can quantify
6 it.

7 CHAIRMAN MOONEY: Okay. Motion to adjourn.

8 MS. SCOTT: Motion.

9 CHAIRMAN MOONEY: All in favor.

10 (Chorus of ayes.)

11 Thank you, everyone.

12 (Which were all the proceedings
13 had this day.)

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1 STATE OF ILLINOIS)
2) SS:
3 COUNTY OF COOK)

4 I, Nick D. Bowen, a Certified Shorthand
5 Reporter in and for the County of Cook and State of
6 Illinois, do hereby certify that I reported in
7 shorthand the proceedings of said hearing as
8 appears from my stenographic notes so taken and
9 transcribed under my direction.

10 IN WITNESS WHEREOF, I have hereunto set
11 my hand and affixed my seal of office at Chicago,
12 Illinois, this 13th day of February 2012.

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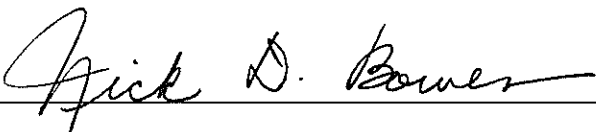
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